PRINCE
EDWARD
ISLAND
GRAIN
ELEVATORS
CORPORATION

P.O. Box 250
Kensington
Prince Edward Island
Canada C0B 1M0
Phone: (902) 836-8935
Fax: (902) 836-8926

P.E.I. No. 1
(902) 836-8927

P.E.I. No. 2
(902) 838-3358

P.E.I. No. 3
(902) 853-8630

PRINCE EDWARD ISLAND
GRAIN ELEVATORS CORPORATION

Twenty-fifth Annual Report

FOR THE YEAR ENDED JULY 31st

2002

KENSINGTON
PRINCE EDWARD ISLAND

104-00362/

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FOR THE YEAR ENDED JULY 31st

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KENSINGTON
PRINCE EDWARD ISLAND

The HONOURABLE MITCH MURPHY

Minister Responsible for the
Prince Edward Island
Grain Elevators Corporation

Dear Sir:

We, the Board of Directors and the Management of the Prince Edward Island Grain Elevators Corporation, have the honour of submitting herewith the Twenty-fifth Annual Report of the Prince Edward Island Grain Elevators Corporation.

This report includes a brief summary of the operations and the audited financial statements of the Grain Elevators Corporation for the period August 1, 2001 to July 31, 2002.

Respectfully submitted,

BOARD OF DIRECTORS

Prince Edward Island
Grain Elevators Corporation

TWENTY-FIFTH ANNUAL REPORT

OF

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

For the year August 1, 2001 to July 31, 2002

BOARD OF DIRECTORS

John Griffin	President
Blois Dingwell	Vice-President
Brenton Gardiner	Secretary-Treasurer
Gordon Carter	Director
Leonard Carver	Director
David Haslam	Director
Herbert Pridham	Director

ADMINISTRATIVE OFFICE STAFF

Michael Delaney	General Manager (Acting)
Debra Montgomery	Administrative Officer
Barbara Walker	Accounting Technician
Shirley Ramsay	Admin Support

ELEVATOR OPERATIONS STAFF

P.E.I. #1 - Kensington, P.E.I.

Clive Drummond	Operations Manager
Andy Gauthier	Elevator Worker/Operator
Eric Proctor	Elevator Worker/Operator
David Dougay	Elevator Worker/Operator
John Trainor	Elevator Worker/Operator

P.E.I. #2 - Roseneath, P.E.I.

J. Ronald Somers	Manager
Bill McGuigan	Elevator Worker/Operator

P.E.I. #3 - Elmsdale, P.E.I.

Donald McCarthy	Manager

The P.E.I. Grain Elevators Corporation

Mandate

The Prince Edward Island Grain Elevators Corporation will, in accordance with its mandate continue to play a leadership role in the cereal and protein sectors of Prince Edward Island

The Corporation carries out this role by:

- acting as a stabilizing influence, and in establishing fair market pricing for cereals and oilseed crops
- working towards improvements in the quality of product purchased, stored and marketed
- maximizing grower returns for those who elect to market through pools
- operating towards a break-even financial position
- providing high quality cost effective value added services and excellent customer service
- providing a "free market" option as an alternative to pooling
- providing value added services

Operations

The P.E.I. Grain Elevators has a storage capacity of around 27,000 mt. Grain and products are marketed throughout P.E.I. and Atlantic Canada. There is a staff of up to 20 employed depending on the stage of the annual business cycle. Every effort is made to meet or exceed the storage capacity of the system, thus ensuring that the best possible use is made of the infrastructure.

Pooling

The P.E.I. Grain Elevators Corporation operates a number of grain marketing pools for producers who elect to settle for an average or "pooled return". An annual marketing and sales plan is developed on behalf of growers by Corporation management and, is overseen by the Board.

In such a system the costs of storage, handling and marketing are borne by a central agency. There is a fee charged for these services, and producers are paid a net return based on the averaged returns received on all pool grains marketed by the Corporation. Normally this return is higher than producers would otherwise receive at harvest, and is of special interest to growers who do not have access to grain handling, or storage facilities.

Interim and final payments are paid to producers if applicable throughout the marketing year, after a determination as to the amount of any applicable payment has been made by the Board of Directors. Downside price risk is borne by the grower in two ways; one though a producer hold back and hedging plan, the other through the possibility of an adjustment to the Standard Operating Costs made after the Pools are closed.

When applicable, the Corporation takes such steps as are necessary to hedge the inventory at the time of purchase. This has included the purchase of "corn puts" from the Chicago Mercantile Exchange. By this means a primary responsibility for managing risk lies with producers as overseen by the Board of Directors, who direct the affairs of the Corporation. In 2002, the Corporation was also successful in implementing a price guarantee program; a federal program funded by Agriculture and Agri-food Canada. It sets a floor around the initial producer price below which this price cannot drop. These risk management tools are strong features of any pooling system.

Open Market

Growers may elect to sell a portion of their crop directly to the Corporation at daily market prices established from time to time. There is no obligation on the part of the Corporation in this case, to pay a portion of pooled returns to growers who elect to market through this option. The crop can be marketed direct from the farm or delivered to one of three elevator locations.

Value Added Services

In the final analysis, the costs charged to pool participants reflect the profits earned on ancillary operations, contribution margin captured through direct sales or brokerage activities plus applicable overhead charges. The Corporation is involved in a number of these ancillary businesses, including custom roasting and extruding of grain and protein crops, trucking, bagging, cleaning and grading.

The Corporation strives to keep this cost to the pool participants low as possible.

Pool Returns / Costs to Producers

Grain	Estimated Sales Value	Actual Sales Value	Costs	Net Sales Value
Barley	$150.00	$160.51	$18.40	$142.11
Oats	$138.00	$146.99	$18.40	$128.59
Wheat	$170.00	$180.98	$18.40	$162.58
Mix Grain	$138.00	$135.07	$18.40	$116.67
Soybeans	$300.00	$343.71	$22.16	$321.55
Corn	$185.00	$198.62	$18.40	$180.22
Milling Wheat	$225.00	$210.04	$32.45	$177.59

Volumes handled (metric tonne)

PEI #1 Purchases	
Pool	5992.695
Non Pool	6592.725
Total	12585.420
PEI #2 Purchases	
Pool	3568.479
Non Pool	1051.061
Total	4619.540
PEI #3 Purchases	
Pool	4257.447
Non Pool	1600.129
Total	5857.576
Grand Total	**23062.536**

Sales ($)

PEI #1	
Pool	$1,213,508
Non Pool	$1,567,161
Total	$2,780,669
PEI #2	
Pool	$581,787
Non Pool	$224,875
Total	$806,662
PEI #3	
Pool	$620,930
Non Pool	$303,282
Total	$924,212
Grand Total	**$4,511,543**

* For detailed information on operations, the reader is directed to the presentation of audited financial statements which appear in this report.

The Corporation carries out a number of wholesale and retail operations with respect to the marketing of grain and oilseed crops, and products. For simplicity only the aggregate totals of cereals and oilseeds purchased are highlighted. The same format has been chosen for sales, only the aggregate of grains, products and services are highlighted.

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Grain Elevators Corporation

I have audited the balance sheet of the Prince Edward Island Grain Elevators Corporation as at July 31, 2002 and the statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
November 27, 2002

STATEMENT 1

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
BALANCE SHEET
AS AT JULY 31, 2002

	2002	2001
ASSETS		
CURRENT ASSETS		
Accounts receivable - General - Notes 1(b) and 2	$ 724,364	$ 734,536
Accounts receivable - Province of PEI	67,343	62,995
Short-term investments	39,596	66,755
Inventory of grain - Corporation - Note 1(c)	311,030	216,146
Sundry inventory	2,454	2,526
Prepaid expenses	164,550	3,239
	1,309,337	1,086,197
CAPITAL ASSETS		
Equipment - Notes 1(d), 1(e) and 3	57,464	74,144
	$1,366,801	$1,160,341
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Bank overdraft	$ 559,651	$ 233,843
Accounts payable - General	144,299	213,418
Accounts payable - Province of PEI	-	16,524
Deferred revenue	36,942	20,644
Final payment to be distributed to producers	239,112	309,739
	980,004	794,168
EQUITY		
Retained earnings - Statement 2	43,797	23,173
Contributed surplus - Province of PEI	343,000	343,000
	386,797	366,173
	$1,366,801	$1,160,341

(The accompanying notes are an integral part of these financial statements.)

ON BEHALF OF THE BOARD:

DIRECTOR: _____

DIRECTOR: _____

AUDITOR GENERAL - CHARLOTTETOWN, PEI

STATEMENT 2

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED JULY 31, 2002

	2002	2001
REVENUES:		
Sales	$3,902,147	$4,371,115
Profit on Inter-Related Sales - Note 5	366,858	604,156
Other income - Note 4	419,033	406,927
Provincial Grant - Operating	75,000	35,000
- Capital	79,565	146,187
	4,842,603	5,563,385
EXPENSES:		
Cost of Non-Pool Inventory Sold	1,677,724	1,472,559
Amortization	22,039	35,640
Bad debts	2,708	4,116
Board expense	20,602	34,185
Capital repairs	79,565	146,187
General and other	67,639	86,080
Insurance	12,742	12,430
Interest - short-term	38,515	105,678
Repairs and maintenance	67,962	73,566
Salaries and benefits	539,854	549,355
Utilities	157,033	205,907
	2,686,383	2,725,703
NET RESULTS BEFORE DISTRIBUTION	2,156,220	2,837,682
DISTRIBUTION TO PARTICIPANTS - Note 6	2,135,596	2,814,509
NET INCOME FOR THE PERIOD	20,624	23,173
RETAINED EARNINGS BEGINNING OF YEAR	23,173	-
RETAINED EARNINGS END OF YEAR	$ 43,797	$ 23,173

(The accompanying notes are an integral part of these financial statements.)

AUDITOR GENERAL - CHARLOTTETOWN, PEI

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2002

1. Summary of Significant Accounting Policies:

(a) The Corporation operates a pooling program for buying and selling its local grain and protein inventory. During 2001-02 seven pools were in operation consisting of a Barley, Oats, Mixed Grain, Wheat, Corn, Milling Wheat, and Soybean pool. All pools closed on July 31, 2002.

(b) Specific accounts which have been deemed doubtful have been included in the Allowance for Doubtful Accounts. In addition, one percent of the remaining accounts are included in the allowance.

(c) Inventory is valued at cost which is similar to replacement cost.

(d) Asset purchases less than $5,000 are expensed in the period of purchase.

(e) Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

(f) The Province of PEI provides the elevator facilities to the Corporation at a nominal fee of $1.

(g) Certain 2001 Financial Statement figures have been restated to conform with the current year's presentation.

2. Accounts Receivable

	2002	2001
Trade	$689,994	$621,931
Less: Allowance for doubtful accounts	8,615	14,827
	681,379	607,104
Special bin	57,923	183,643
Less: Downpayments held on deposit	24,994	67,205
	32,929	116,438
Other	10,056	10,994
	$724,364	$734,536

3. Capital Assets

	2002	2001
Equipment (cost)	$415,872	$410,513
Less: Accumulated amortization	358,408	336,369
	$ 57,464	$ 74,144

STATEMENT 3

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2002

Cash provided by (used for)	2002	2001
OPERATING ACTIVITIES		
Net Income for the year	$ 20,624	$ 23,173
Amount charged against income not requiring an outlay of cash:		
Amortization	22,039	35,640
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	5,824	(10,172)
(Increase) decrease in inventory	(94,812)	16,399
(Increase) decrease in short-term investments	27,159	(1,232)
(Increase) decrease in prepaid expenses	(161,311)	26,607
Increase (decrease) in accounts payable	(69,119)	130,860
Increase (decrease) in deferred revenue	16,298	(76,206)
Increase (decrease) in distribution to producers	(70,627)	163,609
Net cash provided (used for) by operating activities	(303,925)	308,678
FINANCING ACTIVITIES		
Loan repayments to province	(16,524)	(15,588)
INVESTING ACTIVITIES		
Acquisition of capital assets	(5,359)	(40,548)
(Increase) Decrease in bank overdraft	(325,808)	252,542
Bank overdraft at beginning of year	(233,843)	(486,385)
Bank overdraft at end of year	$(559,651)	$(233,843)

(The accompanying notes are an integral part of these financial statements.)

AUDITOR GENERAL - CHARLOTTETOWN, PEI

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JULY 31, 2002

4. Other Income

	2002	2001
Handling and drying	$108,733	$234,570
Storage fees	54,444	48,858
Custom extruding	104,833	(2,339)
Miscellaneous	66,938	37,080
Interest revenue	40,959	48,421
Freight	40,003	46,444
Protein	3,123	(6,107)
	$419,033	$406,927

5. Inter-related sales consist of grain sales between the Corporation and the Pools.

Sales:	
Pool Inventory	$366,858
Non-Pool Inventory	251,864
	618,722
Cost of Non-Pool Inventory	251,864
Profit on Inter-Related Sales	$366,858

The payments for pool inventory received from producers are included in the distribution to participants figure in the statement of income and retained earnings.

6. The distribution to participants of pooling operations is as follows:

Initial payment	$1,728,486
Interim payment	167,998
Final payment to be distributed to producers	239,112
	$2,135,596

7. Related Party Transactions:

During the current year, four Board members had purchases from the Corporation totalling $38,382 and two Board members had sales to the Corporation totalling $49,395. These transactions were entered into in the normal course of business and on the same terms as unrelated parties.